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NASA's Management of Grants and Cooperative Agreements

Responsible Office: Office of the Chief Financial Officer

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Preface

P.1 Purpose

This NASA Procedural Requirement (NPR) provides criteria for the financial management of grants and cooperative agreements with regard to fund advances, letters of credit, suspension and termination of advances, and instructions to recipient organizations.

P.2 Applicability

This NPR is applicable to NASA Headquarters and NASA Centers, including Component Facilities and Technical and Services Support Centers. This NPR applies to JPL, other contractors, grant recipients, or parties to agreements only to the extent specified or referenced in the appropriate contracts, grants, or agreements.

P.3 Authority

- a. OMB Circular No. A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations
- b. Department of Treasury Circular No. 1075, (Fourth Revision, Appendix 1).
- c. Treasury Financial Manual, Volume I, Part 6, Chapter 2000
- d. NASA Policy Directive (NPD) 9010.2, "Financial Management"

P.4 Applicable Documents

- a. NPR 5800, "Grant and Cooperative Agreement Handbook"

P.5 Measurement/Verification

Quality assurance reviews and analysis of financial and budgetary reports and data submitted through the continuous monitoring program will be used to measure compliance with this NPR. Funds control will be in place as required by NPR 9010.

P.6 Cancellation

None.

/S/

Terry Bowie

NASA Deputy Chief Financial Officer

Chapter 1. Overview NASA's Management of Grants and Cooperative Agreements

1.1 Overview

1.1.1 The purpose of this chapter is to set forth policies for National Aeronautics and Space Administration's (NASA) financial management of grants and cooperative agreements with regard to advance payments as prescribed by Department of the Treasury Circulars and Manual, and Office of Budget and Management (OMB) Circulars. The management of financial transactions between NASA and grantees and recipients is covered in NASA Financial Management Requirements, Volume 6. Other management and financial issues are addressed in NASA Procedural Requirements (NPR) 5800.

1.2 Agency Requirements

1.2.1 NASA policy is that payment methods shall minimize the time elapsing between the transfer of funds from the U.S. Treasury and the redemption of checks, warrants, or payment by other means by the recipients. Specifically, this policy will apply to agency advance payment to recipients, administering Letter of Credit, administrative and review actions, and instructions to recipients by NASA.

1.2.2 NASA will use the Department of Health and Human Services' Payment Management System (DHHS/PMS) to provide advance payments of Federal funds to educational organizations, other public or private organizations, and state and local governments.

1.3 Roles and Responsibilities

1.3.1 Agency Chief Financial Officer (CFO)/ Deputy CFO shall ensure that NASA and its recipients meet Department of Treasury and OMB advance payment requirements.

1.3.2 Recipients shall comply with NASA/DHHS/PMS requirements when submitting requests for advances for grants and agreements with NASA.

1.3.3 Center CFOs and the NASA Shared Services Center (NSSC) shall ensure compliance of recipients with DHHS/PMS requirements.

Chapter 2. Agency Payment of Advances to Recipients

2.1 Overview

2.1.1 The purpose of this chapter is to set forth policies for National Aeronautics and Space Administration's (NASA) use of the Department of Health and Human Services' Payment Management System (DHHS/PMS); a letter of credit system of providing advance payments of Federal funds to educational institutions; other public or private organizations, referred to as "recipient organizations;" and state and local governments.

2.2 Agency Requirements

2.2.1 NASA uses the Department of Health and Human Service's Payment Management System (DHHS/PMS) to handle advance payments to recipient organizations.

2.3 Roles and Responsibilities

2.3.1 Agency Chief Financial Officer (CFO)/ Deputy CFO shall ensure that NASA and recipients meet NASA/DHHS/PMC advance payments requirements.

2.3.2 Recipient Organizations shall comply with NASA/DHHS/PMS requirements when submitting requests for advances for grants and agreements with NASA.

2.3.3 Center CFOs and the NASA Shared Services Center (NSSC) shall:

- a. Ensure that each Center is properly charged for its recipients' draw downs.
- b. Reconcile Centers' and Department of Health and Human Services' data.
- c. Distribute PMS reports.
- d. Assist Centers with recipient registration.
- e. Acquire and maintain registration listings.
- f. Coordinate activity between Centers and DHHS/PMS.

Chapter 3. Administering Letters of Credit

3.1 Overview

3.1.1 The purpose of this chapter is to define the administration of Letters of Credit by National Aeronautics and Space Administration (NASA) in terms of policy authorities and references, responsibilities, and requirements.

3.2 Agency Requirements

3.2.1 NASA policy is to use the Department of Health and Human Services' Payment Management System (DHHS/PMS) method of payment in administering letters of credit. This method ensures timely payments to the recipients. Recipient requests for funds are submitted through the PMS system from the recipient's personal computer into PMS. After successful negotiation of the system's edits, the transaction is written to tape and forwarded to the Richmond Federal Reserve. The Federal Reserve makes the electronic payment to the organization's financial institution the next business day.

3.2.2 Under NASA policy, the DHHS provides instructions to the recipients for requesting funds through the PMS.

3.3 Roles and Responsibilities

3.3.1 Agency Chief Financial Officer (CFO)/ Deputy CFO shall ensure that NASA and recipients meet NASA/DHHS/PMS Letters of Credit requirements.

3.3.2 Recipients Organizations shall comply with NASA/DHHS/PMS requirements when utilizing Letters of Credit for grants and agreements with NASA.

3.3.3 Center CFOs and the NASA Shared Services Center (NSSC) shall:

- a. Consolidate funding for the same recipient organizations.
- b. Assign Letter of Credit Numbers.
- c. Notify Recipients of award authorizations.
- d. Determine NASA compensation to DHHS for processing service charges.
- e. Process Monthly billings and transactions.
- f. Handle General Ledger accounting for advances, letter of credit financing, and related transactions.
- g. Prepare closing Letters of Credit in accordance with DHHS procedures.
- h. Reopen Recipients accounts as required by DHHS.
- i. Prepare Final reports and close outs.
- j. Review Responsibilities and Requirements for Handling Letters of Credit, Appendix B of NASA Financial Management Requirements of this Volume 14, which provides additional details on roles and responsibilities.

Chapter 4. Administrative Reviews and Actions

4.1 Overview

4.1.1 This chapter provides National Aeronautics and Space Administration (NASA) policy for suspension or termination of recipients who are unwilling or unable to comply with cash management requirements, financial systems, or financial reporting requirements.

4.2 Agency Requirements

4.2.1 Using the inquiry capability of the Payment Management System (PMS) for letter of credit recipients and the quarterly SF 272's (Federal Cash Transaction Report) submittal by all recipient organizations, Centers will monitor recipients' drawdown practices. If a recipient withdraws funds in excess of current requirements or fails to submit required reports on a timely basis, subsequent requests for funds may be suspended until the situation is remedied.

4.2.2 If the recipient organization continues to withdraw funds in excess of current needs or fails to submit reports on a timely basis, the advance financing arrangement may be terminated and the recipient organization shall then be required to finance its operations with its own working capital. Appendix C of this NPR lists specific circumstances under which the advance payments shall be suspended or terminated.

4.3 Roles and Responsibilities

4.3.1 Agency Chief Financial Officer (CFO)/ Deputy CFO shall ensure that NASA and recipients meet NASA/DHHS/PMS Suspension and Termination requirements.

4.3.2 Recipient Organizations shall comply with NASA/DHHS/PMS requirements when submitting requests for advances for grants and agreements with NASA.

4.3.3 Center CFOs and the NASA Shared Services Center (NSSC) shall:

- a. Suspend advance payments temporarily to the recipients.
- b. Notify the Grant Officer of suspensions in advance.
- c. Coordinate with cognizant Contract Offices if suspension involves Letters of Credit.
- d. Decide that the recipient demonstrates consistent willingness or inability to comply with financial requirements.
- e. Judge whether the recipients meet all requirements for suspension or termination.
- f. Initiate suspension or termination of advance payments to recipients.
- g. Review of recipient grant/contract to ensure that initiating a suspension or termination is allowed.
- h. Notify recipients that suspension and termination may be initiated.

4.3.4 The Grant Office. Responsible for initiating suspension or termination of advance payments to

grantees and recipients of cooperative agreements in all other cases - for instance, when the recipient organization has failed to comply with the non-financial terms and conditions of the grant. In such cases, the Grant Officer shall notify the Center Chief Financial Officer (OCFO) and the recipient organization of the Grant Officer determinations to suspend or terminate advance payment, and the Center OCFO shall take prompt action accordingly.

4.3.5 The Contracting Officer. Responsible for initiating suspension or termination of advance payments to contractors. In such cases, the Contracting Officer shall notify the Center OCFO and the contractor, of the Contracting Officer determinations to suspend or terminate advance payment, and the Center OCFO shall take prompt action accordingly.

Chapter 5. Instructions for Recipient Organizations

5.1 Overview

5.1.1 The purpose of this chapter is to set forth the policies to be followed by participating recipient organizations for obtaining advance payments from National Aeronautics and Space Administration (NASA).

5.2 Agency Requirements

5.2.1 NASA will ensure that recipient organizations follow the policies and procedures, of the Department of Health and Human Services' Payment Management System (DHHS/PMS) in obtaining advance payments for Grants and Agreements.

5.2.2 The letter of credit method of financing shall be used by NASA for recipient organizations awarded grants or agreements with advance payment provisions when the recipient organization has demonstrated a willingness to maintain procedures that will minimize the time elapsing between the drawdown of funds and their disbursement.

5.3 Roles and Responsibilities

5.3.1 Agency Chief Financial Officer (CFO) shall ensure that NASA and recipients meet NASA and DHHS-PMS advance payments requirements.

5.3.2 Recipient Organizations shall comply with NASA/DHHS/PMS requirements when submitting requests for advances for grants and agreements with NASA.

5.3.3 Center CFOs and the NASA Shared Services Center (NSSC) shall ensure that each Center:

- a. Charge properly for its recipients' draw-downs.
- b. Reconcile Centers' and DHHS' data.
- c. Distribute PMS reports.
- d. Assist Centers with recipient registration.
- e. Acquire and maintain registered initials.
- f. Coordinate activity between Centers and DHHS.

Appendix A. Advance Payment Requirements for Recipients

A.1 Recipients Operate under the Following Authorities:

A.1.1 Advance Payments Authority-Grants. Advance payments to recipient organizations are an integral feature of National Aeronautics and Space Administration (NASA) grants made pursuant to 31 U.S.C. S 6304. Advance payments may be made without a Determination and Findings (D&F) document.

A.1.2 Advance Payments Authority-Contracts. The Federal Acquisition Regulation (FAR), Subpart 32.4, establishes policy for advance payments on contracts. Subpart 32.4 of the NASA FAR Supplement (NFS) establishes the NASA policy and requirements for advance payments on contracts; see NFS 32.402 for approval authorities for advance payments on contracts. The statutory authorities for advance payments are 10 U.S.C. S 2307; 42 U.S.C. S 2473(c) (5); and Public Law 85-804 as implemented by Executive Order 10789.

A.2 Recipients Shall Meet the Following Requirements in Order to Qualify for Advance Payments

A.2.1 The recipient organization has demonstrated a willingness and ability to maintain procedures that will minimize time elapsing between receipt of an advance and disbursement of funds.

A.2.2 The recipient's financial management system provides for:

- a. Accurate, current, and complete disclosures of the financial results of each federally sponsored project or program in accordance with financial reporting requirements.
- b. Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- c. Written procedures to minimize time elapsing between receipt of advance and disbursement of funds.
- d. Written procedures for determining reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms of the contract, grant, or other agreement.
- e. Recipients' financial management systems shall also adhere to:

(1) Grants. Standards for financial management systems as specified in Office of Management and Budget (OMB) Circular No. A-110, and the "Grant and Cooperative Agreement Handbook," NASA Procedural Requirement (NPR) 5800.1.

(2) Contracts. Generally accepted accounting principles and standards for financial management and reporting as specified in relevant contract clauses.

A.2.3 The recipient organization will be required to finance its operations with its own working capital when it has demonstrated that it is unwilling or unable to meet cash management requirements that will minimize cash balances or when its financial management system does not meet the standards for fund control, accountability, and financial reporting.

A.3 Financial Reporting

A.3.1 All recipients shall submit an electronic Federal Cash Transactions Report (SF 272) to the Department of Health and Human Services Payment Management System (DHHS-PMS) within 15 working days following the end of each Federal fiscal quarter. NASA personnel should reconcile drawdown during the quarter, with the ending undrawn authorization balances. Additionally, all recipients will submit a final SF 272 within 90 calendar days after the expiration date of each grant or contract. (See NASA Financial Management Requirements (FMR), Volume 14, Chapter 2).

A.4 Reviews

A.4.1 Using the inquiry capability of the PMS for letter of credit recipients and the quarterly SF 272's submittal by all recipient organizations, Centers will monitor recipients' drawdown practices. If a recipient withdraws funds in excess of current requirements or fails to submit required reports on a timely basis, subsequent requests for funds may be suspended (see FMR Volume 14, Chapter 3) until the situation is remedied.

A.5 Withdrawals in Excess of Need

A.5.1 If the recipient organization continues to withdraw funds in excess of current needs or fails to submit reports on a timely basis, the advance financing arrangement may be terminated (see FMR Volume 14, Chapter 3) and the recipient organization shall then be required to finance its operations with its own working capital. Note that FMR Volume 14, Appendix C lists specific circumstances under which the Center Office of the Chief Financial Officer (OCFO) shall initiate suspension or termination of advance payments.

A.6 Cash Management

A.6.1 Recipient organizations are required to request the minimum amount of funds needed and schedule cash advances to coincide with actual, immediate cash requirements. Centers shall monitor recipients' drawdown to ensure that minimal balances are being maintained.

A.6.1.1 Recipients are required to maintain advances of Federal funds in interest bearing accounts, unless:

- a. They receive less than \$120,000 in Federal awards per year,
- b. The best reasonable available interest bearing account would not be expected to earn in excess of \$250 per year on Federal cash balances, and
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

A.6.1.2 Interest earned on advances in interest bearing accounts in excess of \$250 per year shall be remitted annually to the Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852. The recipient may retain interest amounts up to \$250 per year for administrative expenses.

A.6.1.3 Recipients shall forward excess Federal funds erroneously drawn to the DHHS. The only exceptions are when the funds involved:

- a. Funds will be disbursed by the recipient organization within seven (7) calendar days.
- b. Funds are less than \$10,000 and will be disbursed within 30 calendar days.

A.6.1.4 DHHS shall report any interest collected on excess Federal funds to the Center and to the Department of Treasury.

A.7 Instructions to Recipients Organizations

A.7.1 Instructions to Recipient Organizations receiving advance payments are contained in this Volume as Appendix D. Upon award of the grant or contract for advance payments, Centers shall provide these instructions along with the web address where recipients may obtain copies of the Federal Cash Transactions Report (SF 272).

Appendix B. Responsibilities and Requirements for Handling Letters of Credit

Handling Letters of Credit

B.1 This appendix summarizes the responsibilities and the requirements which are to be followed by the National Aeronautics and Space Administration (NASA) Center Chief Financial Officers (CFOs) for the handling of Letters of Credit as required by Department of Health and Human Services Payment Management System (DHHS/PMS).

B.2 Letter of Credit to Consolidate Funding to the Same Recipient Organizations. All advances financing to the same recipient organization shall be combined into one letter of credit by the Center. The letter of credit shall include all advance payment grants and contracts awarded to a recipient.

B.3 Assign Letter of Credit Number. Letter of credit numbers are 10-digit identifiers composed of three sections: (1) four zeros; (2) Accounting Installation Number (AIN); and (3) 4-digit sequential letter of credit number. Letter of credit numbers should not be duplicated.

B.4 Letter of Advice. Recipients are notified of award authorization actions by a letter of advice. A cognizant authorized certifying officer shall sign the letter. The letter of advice should contain, at a minimum, the following information:

- a. The recipient organization's name and address.
- b. The recipient organization's Entity Identification Number (EIN) and the NASA-assigned letter of credit number.
- c. The amount and effective date of the initial or amended authorization.
- d. For initial authorizations, the recipient shall be informed that payments will be made under DHHS/PMS.
- e. Certification that the authorized amount will be available as of the effective date of the initial authorization or amendment.

B.5 Closing Letters of Credit. A recipient's letter of credit account shall be closed if the Center has no plans for awarding additional grants or contracts to the recipient organization. Centers shall forward a letter to the PMS Coordinator to indicate:

- a. A notification that the recipient's award authorization has been closed.
- b. A request for closure of the recipient's account.
- c. Signed by the certifying officer.

B.6 Reopening Recipient Accounts. Closed accounts shall be reopened by requesting, in writing, that the PMS Coordinator have the account reopened (the letter should be signed by a certifying officer). Re-opening is performed by processing a "050 Transaction" within the PMS system.

B.7 Final Report/Closeout. A final Federal Cash Transactions Report (SF 272) shall be submitted in paper form within 90 calendar days after the expiration date of a grant or contract (HHS accounts can be closed by processing a "059 transaction within the PMS system"). The final SF 272 pertains only to the completed grant or contract. The report shall be marked "Final" and shall include total

disbursements from inception through completion. Upon receipt of a final grant or contract expenditure report, the Office of the Chief Financial Officer (OCFO) and Deputy OCFO shall request that the appropriate Grant or Contracting Officer initiate closeout procedures. NASA Procedural Requirement (NPR) 5800.1 requires that recipients promptly refund any balances of undisbursed cash that NASA has advanced to them that are not authorized to be retained by the recipient for use in other projects. When outstanding advances exist and are to be collected from recipients on completed grants, the amounts should be reclassified as accounts receivable and the collection procedures set forth in Financial Management Requirements, Volume 14 should be followed.

Appendix C. Recipients Advance Payment Suspension or Termination

C.1 This appendix defines the responsibilities and the requirements which are to be followed by the National Aeronautics and Space Administration (NASA) Center Office of the Chief Financial Officers (OCFOs) and the NASA Shared Services Center (NSSC), the Grant Office, and the Contract Office for the handling of Recipient advance payment suspension and termination as required by Department of Health and Human Services Payment Management System (DHHS/PMS).

C.2 Suspension or Termination

C.2.1 General. When a recipient organization has demonstrated an unwillingness or inability to comply with cash management, financial management system, or financial reporting requirements, the Center OCFO/NSSC may temporarily suspend payment to the recipient organization pending corrective action by the recipient or pending a decision to terminate the advance financing agreement. The Center OCFO/NSSC shall promptly notify the Grant Officer of any such action.

C.2.2 Impact on Letters of Credit. When the Letter of Credit includes contracts, the Center OCFO/NSSC shall consult with all cognizant Contracting Officers before implementing a suspension or termination of advance financing applicable to contracts.

C.3 Decision to Terminate

C.3.1 A decision to terminate the advance financing agreement shall be predicated upon a recipient organization's consistent demonstration of an unwillingness or inability to comply with cash management, financial management system, or financial reporting requirements. Under normal circumstances, the recipient organization should have been suspended two times before advance payment termination proceedings are initiated. If the severity of the violation warrants, the OCFO/NSSC may begin advance payment termination proceedings immediately by notifying the Grant Officer promptly. Upon termination of the advance financing arrangement, the recipient organization shall finance its operations with its own working capital and the Center shall reimburse the recipient's cost.

C.4 Criteria for Suspension/Termination

C.4.1 The Center OCFO/NSSC shall take action to either suspend or terminate a recipient's advance financing arrangement, and shall promptly notify the Grant Officer when:

a. A recipient organization receiving advance payments from the DHHS/PMS is unwilling or unable to establish a financial management system that meets the requirements of advance financing as evidenced by an audit report or failure to comply with the requirements of NASA Financial Management Requirements (FMR). The OCFO/NSSC may require submission of the recipients' written procedures or take other appropriate measures to validate the recipient's compliance with these system requirements. Centers may take reasonable steps to assist the recipient organization in establishing or improving their financial management system.

b. A recipient organization receiving advance payments from the DHHS/PMS is unwilling or unable to report, on an accurate and timely basis, cash disbursements or cash balances, as required by the Center. Advance financing shall be temporarily suspended when two successive quarterly reports are late or when two reports are late in a fiscal year. The OCFO/NSSC may reinstate the advance

financing upon corrective action by the recipient. During the temporary suspension period, the Center shall reimburse the recipient's cost.

c. A recipient organization receiving letter of credit payments from the DHHS/PMS has demonstrated an unwillingness or inability to establish procedures that will minimize time elapsing between drawdown and related disbursements.

C.5 Initiation Responsibilities For Suspension/Termination

C.5.1 The responsibilities for initiating suspension or termination of advance payments are assigned as follows:

a. The Center OCFO/NSSC are responsible for initiating suspension or termination of advance payments to grantees and recipients of cooperative agreements in cases involving financial management issues, and shall notify the Grant Officer promptly of such actions. When the Letter of Credit includes contracts, the Center OCFO/NSSC shall consult with all cognizant Contracting Officers before implementing a suspension or termination of advance financing applicable to contracts.

b. The Grant Office is responsible for initiating suspension or termination of advance payments to grantees and recipients of cooperative agreements in all other cases - for instance, when the recipient organization has failed to comply with the non-financial terms and conditions of the grant. In such cases, the Grant Officer shall notify the Center OCFO/NSSC and the recipient organization of the Grant Officer determinations to suspend or terminate advance payment, and the Center OCFO/NSSC shall take prompt action accordingly.

c. The Contracting Officer is responsible for initiating suspension or termination of advance payments to contractors. In such cases, the Contracting Officer shall notify the Center OCFO/NSSC and the contractor, of the Contracting Officer determinations to suspend or terminate advance payment, and the Center OCFO/NSSC shall take prompt action accordingly.

C.6 Preliminary Review

C.6.1 A review shall be made of the grant or contract and the statute under which the grant or contract was negotiated to ensure that termination of advance payments is permitted. When the reimbursement method is not feasible, arrangements may be made whereby the operations of the recipient organizations are financed on a working capital advance basis. Under this basis, funds are advanced to the recipient organization to cover its estimated disbursement needs for a given initial period (not to exceed 30 calendar days). Thereafter, payments will be made to the recipient for the amount of its actual cash disbursements. The amount of the initial advance should be computed to ensure that after the initial period, the payments are approximately equal to the average amount of the recipient organization's unreimbursed program payments.

C.7 Notification

C.7.1 Suspension, Termination, and Reinstatement of advance payments may be initiated by the Center OCFO/NSSC or by the responsible Grant Officer or Contracting Officer, depending on the nature of the issue at hand. When the Grant Officer or Contracting Officer is the initiator, they shall notify the Center OCFO/NSSC in writing, using the notification documents outlined in (A) through (C) below, and the Center OCFO shall take prompt action accordingly. When the Center OCFO/NSSC is the initiator, they shall notify the Grant Officer or Contracting Officer in writing, also using the notification documents outlined in (A) through (C) below. When the Letter of Credit includes contracts, the Center OCFO/NSSC shall consult with all cognizant Contracting Officers before implementing a suspension or termination of advance financing applicable to contracts. The notification documents are as follows:

- a. The initiator of suspension (that is, a Center OCFO/NSSC or a Grant Officer or Contracting Office, depending on the reason for suspension) shall provide reasonable notice, in writing, to the recipient organization of the determination to temporarily withhold further payments pending corrective action by the recipient or pending a decision to terminate advance financing.
- b. The initiator of termination (that is, a Center OCFO/NSSC or a Grant Officer or Contracting Officer, depending on the reason for termination) shall promptly notify the recipient and the cognizant Grant or Contract officer, in writing, of the determination, the reasons for termination, and the effective date.
- c. The initiator of reinstatement (that is, a Center OCFO/NSSC or a Grant Officer or Contracting Officer, depending on the reason for the initial suspension or termination) shall promptly notify the recipient, in writing, of the determination that a previously suspended or terminated advance payment arrangement is to be reinstated, including the reasons for the reinstatement and the effective date.

Appendix D. Instructions to Recipient Organizations

D.1 This appendix provides the instructions which the recipient organizations need to follow to comply with National Aeronautics and Space Administration (NASA), Department of Health and Human Services Payment Management System (DHHS/PMS), and U.S. Department of Treasury (Treasury) requirements on obtaining advance payments for grants and agreements.

D.2 Method of financing advance payments. The letter of credit method of financing shall be used by NASA for recipient organizations awarded grants or agreements with advance payment provisions when the recipient organization has demonstrated a willingness to maintain procedures that will minimize the time elapsing between the transfer of funds and their disbursement; and the recipient organization's financial management system provides for:

- a. Accurate, current, and complete disclosure of the financial results of each federally sponsored project or program in accordance with the financial reporting requirements.
- b. Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
- c. Written procedures to minimize the time elapsing between the transfer of funds and the disbursement of funds.
- d. Written procedures for determining if costs are reasonable, allocable, and allowable, in accordance with the provisions of the applicable Federal cost principles and the terms of the contract, grant, or other agreement.
- e. Recipients' financial management systems shall also adhere to:
 - (1) Standards for financial management systems as specified in Office of Management and Budget (OMB) Circular No. A-110 and the "Grant and Cooperative Agreement Handbook" (NASA Procedural Requirement (NPR) 5800.1).
 - (2) Generally Accepted Accounting Principles for financial management and reporting as specified in relevant contract clauses.

D.3 Reimbursement by electronic funds transfer, rather than advance payments, will be used when the recipient's financial management system does not meet the standards for fund control, accountability, and financial reporting or when the recipient is unwilling or unable to meet cash management requirements.

D.4 Financial Reporting Requirements. Recipients are required to submit a Federal Cash Transactions Report (SF 272), and, when applicable, a Continuation Sheet (SF 272A) electronically to the DHHS/PMS. The SF 272 report shall be submitted within 15 working days following the end of each Federal fiscal quarter, i.e., December 31, March 31, June 30, and September 30. One Federal Cash Transactions Report shall be submitted for all grants and contracts financed under a letter of credit arrangement with a Center. A final Federal Cash Transactions Report shall be submitted in paper form within 90 calendar days after the expiration date of a grant or contract. The final SF 272 pertains only to the completed grant or contract and shall include total disbursements from inception through completion. The report shall be marked "Final." Recipients may obtain copies of the Federal Cash Transactions Report from the Office of Management and Budget.

D.5 Reporting Interest. Recipients are required to maintain advances of Federal funds in interest bearing accounts, unless: (1) they receive less than \$120,000 in Federal awards per year, (2) the best reasonably available interest bearing account would not be expected to earn in excess of \$250 per year on Federal cash balances, and (3) the depository would require an average or minimum balance so high that it would not be feasible within the expected Federal non-Federal cash resources. Interest earned on advances in interest bearing accounts in excess of \$250 per year shall be remitted annually to the Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to \$250 per year may be retained by the recipient for administrative expenses. The remittance should be made payable to DHHS and should indicate the recipient organization's Entity Identification Number (EIN) and reason, i.e., "Interest earned."

D.6 Erroneous Withdrawal of Excess Funds. The letter of credit system is designed to make funds available to a recipient organization on the first business day following receipt of a request for funds. Recipient organizations are required to (a) request the minimum amount of funds needed; and (b) schedule such requests so that cash advances coincide with actual, immediate cash requirements. NASA will monitor letter of credit drawdown to ensure that the timing and amount of cash advances are as close as administratively feasible to actual disbursements. Should funds be erroneously drawn in excess of actual needs, one of two actions should be taken: (a) if the request itself was made erroneously, the recipient organization should contact its financial institution and request that the payment be returned; or (b) if the payment has already been deposited or the excess drawdown is only part of the total payment, the recipient organization should promptly remit the excess funds to the Department of Health and Human Services, Payment Management System, Rockville, MD 20852.

D.7 Remittance. The remittance should be made payable to DHHS and should indicate the recipient organization's EIN and reason, i.e., "Excess funds erroneously drawn" DHHS shall report any interest collected on excess Federal funds to the Center and to the Treasury. The only exceptions are when the funds involved:

- a. Funds will be disbursed by the recipient organization within seven (7) calendar days.
- b. Funds are less than \$10,000 and will be disbursed within 30 calendar days.

D.8 Letter of Credit Procedures - Initial Authorization. A Direct Deposit Sign-up form (SF 1199A) and a Contact Information form must be on file before funds may be advanced. The recipient organization shall forward the original forms as soon as practicable, but no later than four (4) weeks prior to implementation, to the Office of the Chief Financial Officer (OCFO) of the cognizant Center or the NASA Shared Services Center (NSSC). An official who is known to the Center or NSSC shall sign the forms. DHHS will accept only forms with original signatures, no facsimile or copies. Upon receipt of the completed SF-1199A form and the Contact Information form, the Center or NSSC will forward notification of the authorization amount and effective date, by a letter of advice, to the recipient organization. Instructions, an account number, and a password will be forwarded to the recipient by the Department of Health and Human Services (see Procedures for Drawing Federal Funds).

D.8.1 Letter of Credit Procedures - Reporting Changes in Recipient Organization Data.

D.8.2 A revised Direct Deposit Sign-up form (SF 1199A) shall be submitted should any of the following occur:

- a. Change or termination of the official(s) authorized to sign the forms;
- b. Change in the name or address of the recipient organization; or
- c. Change in the account or financial institution.

D.8.3 A Contact Information form shall be submitted should any of the following occur:

- a. Change or termination of the official(s) authorized to sign the forms;
- b. Change in the contact names or telephone numbers.

D.8.4 Letter of Credit - Amendments. Amendments are required for funding actions that result in an increase or decrease in the authorized amount of the letter of credit. Amendments to the authorized amount are issued by the cognizant Center OCFO/NSSC. Upon notification that a funding action has been taken, the Center OCFO/NSSC will advise the recipient organization of the amount, whether the total authorization has been increased or decreased, and the effective date of the change.

D.8.5 Letter of Credit - Drawing Federal Funds. Recipient requests for funds are submitted through the PMS system. Requests for funds are processed from a recipient organization's personal computer. The Department of Health and Human Services will provide instructions on using a PMS account number and password.

D.8.6 Letter of Credit - Suspension and Termination. The responsibilities for initiating suspension or termination of advance payments are assigned as follows:

- a. The Center OCFO or NSSC are responsible for initiating suspension or termination of advance payments to grantees and recipients of cooperative agreements in cases involving financial management issues, and shall notify the Grant Officer promptly of such actions. When the Letter of Credit includes contracts, the Center OCFO or NSSC shall consult with all cognizant Contracting Officers before implementing a suspension or termination of advance financing applicable to contracts.
- b. The Grant Officer is responsible for initiating suspension or termination of advance payments to grantees and recipients of cooperative agreements in all other cases - for instance, when the recipient organization has failed to comply with the non-financial terms and conditions of the grant. In such cases, the Grant Officer shall notify the Center OCFO or NSSC and the recipient organization of the Grant Officer determinations to suspend or terminate the advance payment, and the Center OCFO shall take prompt action accordingly.
- c. The Contracting Officer is responsible for initiating suspension or termination of advance payments to contractors. To initiate suspension or termination of advance payments, the Contracting Officer shall notify the Center OCFO or NSSC and the contractor of such Contracting Officer determinations, and the Center OCFO or NSSC shall take prompt action accordingly.

D.8.7 Letter of credit payments may be suspended or terminated if the recipient organization has failed to:

- a. Comply with the terms and conditions of the grant or contract, including all reporting requirements.
- b. Comply with financial management system requirements.
- c. Comply with financial reporting requirements.
- d. Comply with cash management requirements.
- e. Make progress adequate for performance of the contract.

D.8.8 Under suspension, the recipient's costs shall be reimbursed until the condition is remedied.

D.8.9 NASA policy is that the NASA Center OCFO or NSSC, notifying the Grant Officer, shall

take action to either suspend or terminate a recipient's advance financing arrangement when:

- a. A recipient organization is unwilling or unable to establish a financial management system that meets the requirements of advance financing as evidenced by an audit report or failure to comply with NASA requirements.
- b. A recipient organization is unwilling or unable to report, on an accurate and timely basis, cash disbursements or cash balances as required by NASA. Advance financing shall be temporarily suspended when two successive quarterly reports are late or when two reports are late in a fiscal year.
- c. A recipient organization has demonstrated an unwillingness or inability to establish procedures that will minimize time elapsing between draw-downs and related disbursements.

D.8.10 Furthermore, a letter of credit arrangement may also be terminated for either of the following reasons:

- a. The business relationship between the Center and the recipient organization is completed or terminated (except when follow-on awards are expected to be authorized).
- b. The cognizant Center OCFO or NSSC determines progress is not satisfactory toward achievement of the cash management objective of the letter of credit method of financing.

D.8.11 Advance financing may be terminated if the recipient fails to correct a condition causing suspension within a reasonable period of time. Upon termination, the recipient organization shall finance its operations with its own working capital and be reimbursed by NASA. The Center will promptly notify the recipient in writing of the determination, the reasons for termination and the effective date.